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RUEAWJA/DEPT OF JUSTICE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
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SUBJECT: NIGERIA: CBN AND EFCC COLLABORATING ON BANKING INVESTIGATIONS

REF: A. ABUJA 1562

[1](#)B. ABUJA 1290

[1](#)C. LAGOS 358

1.(SBU) Central Bank of Nigeria (CBN) Assistant Director of the Banking Supervision Department Udofia Obot told INLOFF September 2 that the CBN will continue to audit all remaining banks in order to rebuild confidence in the banking sector. Obot, who has worked on money laundering issues for the past 15 years and served as member of the Presidential Committee that created the Nigerian Financial Intelligence Unit (NFIU), claims CBN Governor Lamido Sanusi wants to sanitize the banks and undertake reforms to prevent another crisis in the banking sector. Obot said he supported Sanusi,s decision to inject 420 billion naira (\$2.7 billion) from the CBN into the five private banks under his &no bank will fail8 policy. Once the public regains confidence in the banking sector, Obot believed that capital markets and banking deposits would return. Such actions would facilitate renewed growth that would allow the banks to repay their loans with interest to the CBN. Obot added the CBN will take care of the banks, financial vitality, but additional efforts must occur to force the boards of directors of banks to fulfill their role in protecting depositors, interests. "There are clear ethical issues in the banking sector that must be addressed," he declared. (Note: CBN Governor Sanusi announced that the results of the audits for the remaining 14 banks will be ready in October. According to the press, recapitalization of eleven of the banks will require only 150 billion naira in comparison with the 420 billion naira needed to recapitalize just the first five banks that were audited. End Note.)

[1](#)2. (SBU) According to Obot, the CBN has created a manual on international best practices for conducting bank inspections due to Nigeria's banking crisis. CBN planned to use the new manual to train bank examiners placing greater emphasis on the use of the CBN,s administrative sanctions powers and the Economic and Financial Crimes Commission,s (EFCC) prosecutorial powers to bolster banking supervision. Obot believed this combination has already yielded results as many debtors who had refused to pay back massive business loans that were presumably obtained fraudulently, have now approached his office for settlement as they recognized that they could be taken into custody by the EFCC. (Note: Although defaulting on bank loans is purely a civil matter, committing fraud to obtain such loans is duly punishable under EFCC Act.

End note.) Obot added that EFCC will prosecute the debtors and bank managers who have defrauded depositors and/or mismanaged funds since they have no political cover. According to Obot, EFCC Chair Farida Waziri appeared ready to challenge her critics and &wants to prove that she is capable⁸. Confirming that EFCC is working closely with the CBN to recover lost funds, Obot cautioned that the judiciary has served as the primary obstacle to EFCC prosecutions by delaying cases and entertaining frivolous objections by defendants. To overcome these obstacles, he advocated the creation of &fast track⁸ Financial Crimes Courts system, with special jurisdiction and judges trained in complex financial matters. Ghana, he observed, has such courts which should be feasible in Nigeria as well.

NEED FOR CBN REFORM

¶3. (SBU) Obot also advocated reform for the CBN itself. Although many press reports have criticized CBN,s lack of due diligence in providing banking oversight, Obot defended the performance of his Banking Supervision Department, noting that it had conducted examinations in the past year and warned then-CBN Governor Charles Soludo and bank operators of massive irregularities at certain banks. According to Obot, the CBN took no action to address the irregularities, which has resulted in the current crisis, and is primarily due to collusion between bank operators and CBN banking supervision regulators. To deter this type of collusion in the future, Obot claimed he has encouraged current CBN Governor Sanusi to establish limits on the tenure of the Governor and other high-ranking CBN officials to prevent regulators from

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developing conflicts of interest with the banks they monitor. Obot expressed confidence that Sanusi would implement these recommendations, characterizing him as a strict, fearless disciplinarian who has pledged to resign if the reforms failed.

¶4. COMMENT: (SBU) Driven by CBN efforts to sanitize the banking sector, the EFCC has recently shown greater activity in investigating defaulters and bank managers. The EFCC has reportedly recovered 45 Billion Naira (\$290 million) from 90 accounts, representing roughly 41 percent of all outstanding loans and six percent of the outstanding loan value but may in overreached in certain circumstances in pursuing mere defaulters who were not defrauders. EFCC Chair Waziri relocated her offices to Lagos at the end of August to presumably better monitor the investigations. The EFCC has requested and obtained assistance from banking and financial market regulators. Although, some press reports have speculated that all of this is merely a charade to dupe the international community particularly the United States, EFCC officials reportedly want to resuscitate the organization,s image on corruption by taking concrete actions, partly in response to the Secretary's criticism of the organization during her visit to Abuja in August. However, the true benchmark of EFCC,s commitment to play its role in fighting corruption will be the effective prosecution of bankers and other individuals implicated in causing the current banking crisis by doggedly pursuing allegations of collusion between bank operators and CBN regulators. (END COMMENT)

¶5. (U) This cable was coordinated with Consulate Lagos and cleared with LEGATT.
MCCULLOUGH